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C O N F I D E N T I A L SECTION 01 OF 03 ABUJA 000905

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CAIRO FOR MAXSTADT

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SUBJECT: NIGERIA: VP ON POLITICS, PROSPECTS FOR REFORM

REF: Abuja 727

Classified by Ambassador Howard F. Jeter. Reason:  
1.5(d)

11. (C) Summary: DCM 8 May met with VP Atiku Abubakar and others in Washington. Atiku sought continued USG support for market-based economic reforms but volunteered that President Obasanjo remained uncomfortable about giving up State control. Atiku hoped to make progress on AGOA and to lift fuel price subsidies. He thought an Article 98 Agreement would be signed soon. Nigeria's VP believed the election tribunals would call for new polls in some areas but that results would not change; he did not think there would be enduring negative consequences from electoral disputes because most people ultimately must line up with the winners. Comment at para 14. End Summary.

12. (U) DCM 8 May called on Nigerian Vice President Alhaji Atiku Abubakar at the Potomac, Maryland residence he shares with an AmCit wife of Nigerian origin, Jennifer (aka Jamila). Also present at various points during the evening were former Ambassador to the U.S., businessman Hassan Adamu, ThisDay publisher Nduka Obaigbena, Nigerian Charge Augustine Agada, and several members of Atiku's personal staff.

13. (C) DCM arrived to find Obaigbena with the VP, and the first half-hour of the conversation was unremarkable, save for Obaigbena's observation that the U.S. attitude toward Nigeria appeared to have cooled since September of 2001. DCM replied that the Administration had been compelled to confront the threat of global terrorism and to focus on homeland security. Atiku found this explanation reasonable.

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ENDING FUEL SUBSIDIES  
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14. (C) Once Obaigbena had left the room, DCM congratulated Atiku on the effectiveness of the PDP campaign and offered that signs pointed to Nigerians fervently hoping for tangible betterment of their circumstances. DCM remarked that his own man-in-the-street interviews indicated that most people were not impressed by the transparency of the recent elections but were very pleased with their peaceful conduct (in most areas) and continuing relative tranquillity. Many of the motorists waiting for fuel with whom DCM had spoken (reftel) said they were praying for Nigeria's God-chosen leaders to better their lot. While they wanted gasoline, people waiting at a clinic might desire medicines, and parents might want classrooms and books for their children.

15. (C) Atiku said the GON needed to take quickly a number of the hard steps that had been deferred during the first term. Had the motorists DCM had engaged indicated readiness to pay more money for more reliable fuel supplies? DCM said he had not asked that question specifically, offering that the official price was fiction in much of the country. The last official price increase had reduced real prices in much of the North; resistance would come from the relatively few able to purchase at the official price. Atiku emphatically agreed, saying that the President had concurred in lifting fuel price subsidies o/a 1 June. Atiku added that meetings he and Obasanjo had held with NLC President Adams Oshiomhole suggested that organized labor would not resist strongly. Implying that there existed a risk Obasanjo might

change his mind at the last minute, Atiku said his fingers were crossed that the subsidies would, indeed, be abolished as scheduled.

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OTHER ECONOMIC REFORMS  
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16. (C) Broader and deeper economic reforms would be needed to get Nigeria's economy going again, Atiku continued, but he was unsure how far President Obasanjo was willing to go. The President was uncomfortable with markets making decisions and fundamentally preferred State control. DCM noted the low price-to-dividend ratios of many public companies listed in Nigeria and offered that Nigerian capital markets appeared to have the potential to take off once international investors became more comfortable with Nigeria's economic prospects. Had the GON thought of floating perhaps ten percent of NNPC on the stock exchange? Atiku laughed and exclaimed, "Not with this President. No way!" Atiku also held out little hope for near-term reform of NNPC's major downstream operations, noting that keeping the refineries crippled provided irresistible opportunities for well-connected rent-seekers.

17. (C) However, Atiku emphasized, reforms that reoriented Nigeria's economy toward market-based outcomes were essential, and USG partnership and support would be required. The time had come to push forward on AGOA, Atiku offered. An echoing sentiment came from former Ambassador Adamu, who had just joined the conversation. Atiku said all impetus had gone out of Nigeria's AGOA-related efforts since the departure of Mustapha Bello, the former Commerce Minister. Nigeria needed to appoint an "AGOA Coordinator," Atiku continued, someone who would make sure the necessary steps were taken. DCM offered that Nigeria's failure to take such steps meant it could not take advantage of AGOA's textile provisions. Atiku said he would ensure early National Assembly passage of the required legislation and that he looked forward to working with DCM to move the process forward.

18. (C) DCM cautioned that some tariffs and bans Nigeria had put in place before the elections seemed not consonant with WTO obligations and might affect AGOA eligibility. DCM noted that bans obviously could be revised or revoked. Atiku did not respond to the implied question but remarked that the bans on spaghetti and certain baked products had not taken these items from supermarket shelves.

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SECTION 557, ARTICLE 98 AND LIBYA  
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19. (C) DCM noted that Minister of State for Foreign Affairs Dubem Onyia's misrepresentation of the circumstances that led to suspension of some aspects of U.S. security assistance to Nigeria had indeed irritated Washington. The beginning of a new Administration in Nigeria offered an excellent opportunity to restore some lost warmth to a fundamentally sound bilateral relationship. Nigeria could help us stop Libya's UNSC bid and look seriously at concluding an Article 98 agreement. Atiku did not commit on Libya but said he understood our interests. The term "Article 98 Agreement" did not initially register with him, but when DCM explained what it was, Atiku said he thought an agreement was being prepared for signature.

110. (C) COMMENT: Atiku plays a leading role in economic affairs but does not normally engage on politico-military issues with us. We take some heart from his understanding of the Article 98 issue and its importance to us, but we would not want to be unduly optimistic without confirmation from another source.  
END COMMENT.

111. (C) DCM clarified for Atiku and Adamu the circumstances that led to Congress's decision to insert Section 557, as well as the fact that it did not preclude expenditure of prior-year FMF already in the pipeline. Atiku wondered if the provision might be lifted for FY 04. DCM replied that Congress could

take that step but that, as long as the concerns remained, it likely would not happen. Atiku commented that he had brokered a meeting between Obasanjo and Tiv leaders and implied that the Zaki Biam massacre was no longer an issue for most Tivs. It was his perception that the "Tiv lobby in the U.S." wielded considerable influence over a particular Hill staffer, who in turn influenced her boss. DCM responded that the Senator most concerned had long-standing concerns about human rights in Nigeria and elsewhere and that it would be too simplistic to attribute Section 557 to the work of Tivs residing in the U.S.

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Elections Tribunals  
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12. (C) Atiku was adamant that opposition parties would get little or nothing from appeals to the elections tribunals. He thought tribunals would order new elections in some areas but averred that the ultimate result would be the same in every case -- victory for the ruling PDP. He did not rebut DCM's assertion that elections had not even taken place in some areas but stated that the results were an accurate reflection of popular will; the PDP had met with community leaders and obtained their support. The people did not reject the results and would follow their leaders' recommendations.

13. (C) Atiku did not anticipate significant unrest as a result of eventual tribunal decisions that left the opposition parties with no more National Assembly seats and governorships than INEC awarded them initially. "Incumbency confers great advantage in our system and here in Africa. Not very many people want to be in the opposition," he remarked.

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COMMENT  
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14. (C) We continue to believe that Nigerians' quiescence represents acquiescence more than acceptance. However, most Nigerians will accept the second Obasanjo/Atiku Administration as long as their lives improve materially. This happening will be the key to enduring democracy in Nigeria. In this respect, Atiku and his advisors may have a better idea of how to proceed on a macro-economic level than does Obasanjo, the man who created many of the publicly-owned enterprises that now need to be dismantled. At the same time, however, Obasanjo's approach to economic reform (assuming he is serious) likely will resonate more with Nigerians. The President would prefer to fix what is broken (everything from Nigeria Airways to the structures of State support to agriculture) than to give the market much freer rein. Atiku's approach might make more economic sense, but it would prove more difficult politically to pursue and implement than would Obasanjo's. An early test of direction will be whether fuel costs go up just a trifle on June 1 or are allowed to rise to near the world market price. Atiku's frankly expressed impatience with his boss indicates that tensions between the two men continue little abated.

JETER